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Southern Wholesale
Grocers' Association

The case against the meat
packers as seen by...

Jacksonville, Fla.

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The Case Against The Meat Packers

As Seen by the Wholesale Grocers of the South

An exhaustive government investigation proves that the big Chicago meat packers have a monopoly.

These meat packers monopolize not only meat, but cheese, butter, and eggs, and have gone into the grocery business—especially canned foods and cereals.

They threaten to establish a great Food Trust.

The means used by them consist largely of unfair transportation advantages and unfair methods of competition.

The chief means of gaining monopoly in food distribution has been their private car lines, as they use their specially expedited refrigerator cars for groceries.

The grocer can not get the use of such cars.

The remedy is either the Kenyon Bill or the Kendrick Bill, both now before Congress. These bills would (1) limit the expansion of the meat packers' monopoly and (2) put private car lines on a common-carrier basis.

Prepared by
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Chief Economist of the

Bureau of Research and Publicity

SOUTHERN WHOLESALE GROCERS' ASS'N

JACKSONVILLE, FLORIDA

July 22, 1919

20 March, 1920 - C.R.W.

The Case Against the Meat Packers

As Seen by the Wholesale Grocers of the South

The object of the following statement is to set forth as concisely as possible the conditions in the wholesale grocery business as affected by the competition of the large meat packers.

It will be demonstrated that in the distribution, not only of meats, but also of other food products, the meat packer, chiefly through the use of special service and rates given his private refrigerator cars, has certain advantages which have tended to establish monopoly. The wholesale grocer desires to maintain a condition of competition, and is opposed to monopoly; consequently his interests are those of the public in general.

The wholesale grocer is a specialist in the distribution of the food products handled by retail grocery stores. If given an equal opportunity, his years of specialization in the grocery business will prove that his is the most economical agency.

I.

UNREASONABLE COMPETITIVE ADVANTAGES ENJOYED BY THE MEAT PACKER WHICH ARE NOT IN ACCORD WITH PUBLIC WELFARE.

1. Advantages Which Are Not Technically "Unfair Methods."

A. Discriminatory Advantages in Transportation.

The meat packers enjoy certain advantages in transportation, both as to (1) Service, and (2) Rates, which, while not illegal, call for a remedy in order to preserve competition in the distribution of food.

(1.) Service. The meat packers' refrigerator cars were originally designed for the transportation of fresh meat, which is a highly perishable product requiring "heavy" refrigeration. In order to insure the satisfactory condition of the meat on delivery, it was also necessary that the movement of such meat cars be expedited, and they have always been given special service. Evidently, therefore, the movement of fresh meat by refrigerator cars is a special and preferred movement, justified on the ground of the perishable and important character of contents.

As time went on, the meat packers came to market with many products other than meat, all produced in more or less close connection with their packing houses (e. g., cottonseed oil compounds, canned soups). Also "peddler car" service was initiated. According to this service,

the packer's refrigerator car was loaded by the packer with fresh meat and "packing house products" in whatever quantity and proportion he desired, and was then transported by the carrier to the first unloading point, where it was opened and a portion of the contents removed. From there it was taken to the next unloading point, and so on, to its final destination. The peddler car was thus, in part, a storehouse on wheels, enabling the packer to make delivery from a central warehouse direct to retailers at remote points.

Then the "packing house products" class was extended and the railways were induced to insert in their tariffs provisions allowing any article shipped by a packer to be shipped in peddler cars under refrigeration.

(a) Recently the meat packers have gone into the wholesale grocery business and have taken advantage of their private refrigerator cars, and especially of the peddler car service, to help them drive out the wholesale grocer.

The Bureau has proof of shipment by the packers in their private refrigerator cars of large quantities of the following commodities: Beans, dried fruit, canned fruit, canned vegetables, package coffee, peanut butter, pork and beans, cheese, macaroni, syrup, rolled oats, salad dressing, pickles, canned salmon, salt, lard compound, corn flakes, rice, package mince meat, jellies, butter cartons, stationery, and other products dealt in by grocers. (See Exhibit A.)

The evidence is sufficient to prove the following points:

1. Contentions sometimes made by those representing the meat packers that it is impracticable to put most grocery products into meat cars, on account of the dampness, is not founded on fact. An examination of the items included will indicate that as a matter of fact practically all sorts of grocery products are shipped in the packers' refrigerator cars.

2. The evidence shows that very large quantities of groceries are shipped in peddler refrigerator cars.

3. It indicates that in many instances relatively small quantities of meat are included in such cars.

4. It proves that refrigerator cars are used for transportation of large quantities of goods which do not require refrigeration, and establishes the fact that a considerable part of the space in these heavy cars and a considerable part of the refrigeration is wasted.

5. It establishes the fact that a specially expedited and exclusive service de-

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signed for the rapid transportation of fresh meat is being used as an instrument to secure control of the grocery business for the benefit of the meat packers.

(b) By the inclusion of groceries in peddler cars the packer gets preferential service for groceries.

In the first place, the railways do everything in their power to expedite the movement of the private refrigerator cars of packers. Numerous cases might be mentioned to establish this fact. For example, the Meadows Grocery Co., a Texas concern, reports as follows:

"There is a very decided difference in the service rendered the packer and the jobber by carriers, discrimination being in favor of the packer. To illustrate: If Armour & Co.'s peddler car leaving Fort Worth at 7:30 A. M., due in Waco 5 P. M. same day, scheduled to make all intermediate points, for any reason should not reach Waco until 6 o'clock, or any of the points between Fort Worth and Waco, the car should be one or two hours late, the packers would demand an explanation as to why this car was late. The railway's route car clerk, or party having in charge peddler car service, would be compelled to wire his superintendent and Armour's Traffic Department, giving them explanation as to the delay, and as to why schedule was not kept and why car did not arrive at points as per schedule. In the event of claim for shortage or loss and damage, packer files his claim and attaches thereto all correspondence and telegrams pertaining to the delay of this car.

"If the above peddler car, starting at Fort Worth via M. K. & T., and the destination being Waco, should have been scheduled to stop at some station, say Abbott, for instance, where the agent is off duty at 6 P. M., but car did not arrive until 7 P. M., superintendent of railway would wire agent to remain on duty and care for freight to be unloaded. Agent would, of course, draw overtime pay, which in many cases amounts to more than the freight on merchandise unloaded at that point.

"If, however, a jobber should have merchandise in a car destined for this point and the train was late and for any reason did not arrive at Abbott until 7 P. M., agent leaves duty at 6 o'clock, conductor would carry merchandise by this station and to the end of the division or tie-up, and the local returning the next day would carry the jobber's merchandise back to Abbott, or the station, and unload, providing the train arrived while the agent was on duty (small stations as

above only having a day agent); otherwise, goods would be carried up and down the road until agent was found on duty at said station.

"The above service may be obtained by packers, not only in fresh meats, but canned goods, such as canned corn, peas, fruit, tomatoes, spinach, asparagus, and many other items, provided car contains any amount of packing house products, as outlined in Commodity Tariff No. 13-B, and all the merchandise so included is taken into consideration in computing the minimum provided for in paragraph No. 2, Section No. 3, of the above tariff (Circular No. 4192, effective Dec. 2, 1912)."

A letter from the commissioner of the Fort Smith Traffic Bureau indicates the nature of the specially expedited service secured by the packers, as follows:

"The Missouri Pacific runs three cars over its line from Coffeyville through Van Buren, which peddle out at Conway and intermediate points. These cars are for account of Wilson, Cudahy and Swift, and leave Kansas City about 8:10 P. M. each Saturday and arrive at Coffeyville in time to be re-iced and given the necessary attention to leave there on the local train Tuesday, A. M. These cars are handled into Gore, Oklahoma; arrive there Tuesday, P. M., and leave there Wednesday noon and arrive at Van Buren that evening, leaving there Thursday morning and arriving at Spadra that evening. The cars leave Spadra Friday morning and reach the end of the trip at Conway the same day.

"These schedules are positive, and the railroad makes it a special duty to see that the schedule is maintained; in fact, special agents ride many of the local trains in the interest of this movement. It is the general observation that approximately 25 per cent. of the goods handled in these cars are other than fresh meats and packing house products, the fresh meats and packing house products taking the special commodity rates and the other articles the class rates, according to classification rating."

Another statement brings out a similar point: "Peddler cars are, of course, not allowed to be set out at any point short of final destination, unless, of course, on account of bad order, while such is not true of the ordinary freight car equipment handling traffic in local freight train service. This is not only true with respect to road-haul between point of origin and destination, but applies with equal force to the time required at destination to place peddler cars as compared with that elapsing between arrival and placing of ordinary freight equip-

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ment. Perhaps three to six hours would be a maximum time to elapse between time of arrival at destination and placing at destination of peddler cars for the packers, unless arriving at night, while packers, unless arranging a general line of business, such as the wholesale grocer is compelled to use, frequently lies in yards from 24 hours to five or six days." (San Antonio Freight Bureau, U. S. Pawlett, Traffic Manager.)

An examiner of the Bureau reports that at a point in Tennessee a peddler car arrived during the night and the freight handlers came down before their regular work hour the next morning to make it possible for the car to go forward on an early morning freight. In such cases as this it is to be presumed that the freight handlers are paid for overtime. In order to get his goods on the same morning train, the wholesale grocer would have to deliver them at 4 P. M. on the previous day.

As a result of this specially expedited service the big meat packers who own refrigerator cars are able to secure much more prompt delivery than can the wholesale grocer, and the result is inevitable.

DISCRIMINATION IN SERVICE.

The Bureau has invoices which prove that the Jellico Grocery Company of Jellico, Tenn., must count upon the lapse of from two weeks to a month between the date of shipment and the arrival of grocery products bought from such points as Chicago, Baltimore and Cincinnati. This is to be contrasted with the fact that it only takes approximately 17 hours for the packer to make delivery from Chicago to Louisville, Ky., and approximately four days to points near Jellico.

The South Georgia Grocery Company of Quitman, Ga., advises us that "it has been our experience and observation that they are in a position to deliver a car of cheese to a customer of ours in our territory from Memphis, Tenn., almost as quickly as we can deliver a cheese from our stock. They are making a delivery of a distance of something like 500 miles, and we are making a delivery of about 40 miles. They are able to make deliveries of all other items in the same manner as above stated."

The Fort Smith Traffic Bureau, Fort Smith, Ark., reports that "investigation so far conducted shows that shipments in peddler cars have accomplished secondary delivery at points from 300 to 450 miles from Kansas City, as against five to eight days on shipments from this city to the same destination, for about one-fourth of the distance, when in regular movement."

The president of the Arkansas Grocery Company of Blytheville, Ark., writes as follows: "In regard to the advantage the packer has in service, we beg to advise that a packer can ship goods from Kansas City to Hayti, Mo., which is 28 miles north of Blytheville, Ark., and get better service from Kansas City in the peddler car than we can by shipping by local car from Blytheville, Ark., to Hayti, Mo. Especially is this the case since the United States Government has taken charge of all the railroads. We have known items to be longer going from Blytheville, Ark., to Yarbrough, Ark., a distance of less than five miles, than the packing house car going from Kansas City through Blytheville to Hayti, Mo., the end of the line."

A firm located in Charlottesville, Va., reports that "they use refrigerator cars, and they will get a mixed car of meat, salmon, cereals and canned goods, quick delivery carload rate, and it gives them a very decided advantage over the jobbers. For instance, they will put in, we will say, 200 cakes of cheese; if we order through in four or five days. If we order this cheese locally from Wisconsin, we are paying a higher freight rate, and have to stand an unusual delay, anywhere from two weeks to a month or more in transit."

From Greenville, Alabama, comes this statement: "As the matter now stands, anyone in Greenville can place an order as late as Thursday or Friday with one of the packers' brokers for cheese, tomatoes, rice, salmon, sardines, soaps and cereals, compound lard, and numerous other commodities that are usually handled by a wholesale grocer, and these goods will be in Greenville on the following Tuesdays. These goods will arrive in better condition, due to the fact that they are shipped in a car where it is loaded in station order, and is delivered in station order in perfect condition; in fact, in better condition than if I would ship goods 25 or 30 miles in the regular channel of business."

A Kansas wholesale grocer writes: "We know what the packers' advantages are in switching and fast scheduled freight trains. Just as a comparison, we loaded a car on our switch one day last week at 4 o'clock in the afternoon that the car was ready to move. Bill of lading was receipted, and notwithstanding, the car still stood on our siding at 11 o'clock next day. We know that packing house refrigerator cars loaded in Kansas City and delivered to the railway company at 4 o'clock on the same day were 300 miles on their way, peddling out merchandise

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the next day at 11 o'clock, while our car was standing on the track. This is one of the reasons why packers are getting business away from the wholesale grocer."

The Bureau has received, under date of June 11, the following letter from Slayden-Fakes & Co., of Asheville, N. C.: "We wish to quote an instance regarding refrigerator car service below, this instance occurring between ourselves and Morris & Co.:

"On Monday, June 2, we ordered, against our will, some dried beans, and on the same date ordered some dry salt meat, and on the following Monday received both the beans and the dry salt meat in a refrigerator car, one week from date of order.

"The reason why we say that we ordered the beans against our will is the fact that had we ordered the beans from any other large dealer or jobber, either from Chicago or Detroit, or any other city so far distant, we would have been at least three or four weeks in getting them, but by ordering them from the packers we got them in refrigerator cars one week from date of order, and we might say that whenever we order goods of this kind there has never a delay occurred in the cars reaching our city exactly one week from date of shipment."

For further evidence of the Packers' advantage in delivery see Exhibit B.

Of course these discrepancies in the time which elapses between the shipment and delivery are most frequent and varying in the case of service over branch lines and between the less important points. Between the larger cities on the main lines the grocer is able to secure a service more nearly comparable to that given to the meat packers. Nevertheless, the situation is not satisfactory anywhere.

In the second place, the frequency of the service given to the packer is an advantage. In most cases the jobber does not find any refrigerator car service available to him when desired, and schedule merchandise car service is either lacking or generally dependent upon tonnage available. The packer, however, through the control of private cars, secures such service whenever and wherever he pleases. He runs his "route cars" two or three times a week, or daily.

In the third place, the service given to the packer is regular, the packer's route cars are run on schedule time, and the retail grocer can count on receiving his groceries, if shipped in a peddler car, on

a certain day—and even sometimes on a certain hour within the day. No such service is available to the wholesale grocer.

In the fourth place, another advantage which the packer enjoys lies in the good condition of the shipment. The wholesale grocer's goods are handled and rehandled by local train crews, which condition is avoided by the packer.

In the fifth place, the packer, by shipping his groceries in his private refrigerator cars, reduces the quantity of lost, stray or short shipments.

A very considerable advantage which the peddler car distribution of combined shipments of meats and groceries gives to the packer is the ability to deliver a large assortment of goods in the same shipment. This multiplies the importance of the speed, frequency and regularity of the service, for the retailer can be assured that not only will his order for bacon, hams and lard be delivered on schedule time, but that he can secure in the same shipment his rolled oats, corn flakes and macaroni. This ability to fill his orders promptly for a large variety of goods has been made the means of bringing considerable pressure to bear upon the retailer to handle the grocery products supplied by the packers.

The exclusive service secured by the packers through their ownership of refrigerator car lines is to be noted. Whether the cars are only partly loaded or empty, and no matter how urgent the demand of other shippers may be, they move forward containing nothing but such goods as the packer-owner desires to place in them. The so-called package cars, when available to the jobbers, do not give him the right to exclude others from their use. It is submitted that it is inconsistent with the functioning of railways as common carriers that approximately 90 per cent. of the refrigerator equipment should be subject to the exclusive use of certain private owners, which exclusive use has been made a factor in the competition of their owners with the wholesale grocers of the country.

When it is borne in mind that the privilege of operating private refrigerator cars under peddler car service exists primarily for the purpose of facilitating the prompt distribution of fresh meat, the utilization of such cars and service for rice, canned goods, and other non-perishable grocery products must be considered as a miscarriage of economic justice.

(c) Frequently the jobber cannot get refrigerator car service when ordered.

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On May 20, 1919, the Commercial Agent of the Chesapeake & Ohio R. R. Co., wrote to Altsheier & Co., Louisville, Ky., as follows:

"On account of the C. & O. having no stations for delivery of freight this side of Lexington, we do not undertake to operate scheduled refrigerator car service from this point. In case you order refrigeration from us for loading via our lines, we would furnish same as early as conditions would permit, for which we would require a minimum of 15,000 lbs. from point of origin to point of final destination * * *. We realize that these conditions are not very encouraging, but it is the best we have to offer at present."

This explains a letter received under date of May 8th, from the Woodson-Mohler Groc. Co. of Alderson, W. Va., as follows:

"We endeavored today to obtain a car from the C. & O. in which to load evaporated apples for Chicago. We were informed by the Chief Dispatcher of the Railroad to wait until he could pick up a railway-owned car, as they were not allowed to use a private line car in this kind of service."

Under date of May 21, 1919, the L. & N. Railway Company advised us as follows: "Possibly you are not aware of the fact that the meat packers all furnish their own refrigerator cars, which are especially equipped for the handling of fresh meats, etc. The railways do not undertake to furnish any cars in that service * * *. If you cannot furnish your own equipment, there does not seem to be anything further to be done."

Under date of May 20, 1919, the Illinois Central Railroad writes: "Fresh meat requires extraordinary service, which is not accorded merchandise generally. We do not enter into any peddler arrangement on general merchandise."

Also the Southern R. R. Co. writes under date of May 23rd, that "The Sou. R.R. has no refrigerator cars, and is not in a position to give refrigerator service as you describe."

Out of thirteen letters from wholesale grocers located at various points in the South from Texas to North Carolina, eleven state that no refrigerator car service is available to them.

Only a few of the larger railway lines in the South, (notably, the L. & N.) and these to a limited extent, undertake to operate any scheduled refrigerator car service for handling LCL shipments.

Apparently a majority of the lines in the South depend upon the packer-owned refrigerator car companies for their supply of this class of equipment, and are

only able to make them available for carload shipments and when sufficient time notice is given. For example, the Seaboard Air Line R. R., under date of June 21, advises us as follows:

"The Seaboard Air Line does not own any refrigerator cars, and generally speaking, this is the case with practically all of the railroads operating in Southern territory. We do have an arrangement with the Armour Car Line to provide refrigerator service for fruits and vegetables originating at points on our line."

(d) In addition to summer refrigeration, wholesale grocers frequently require the service of insulated cars in winter time, in order to prevent the freezing of such products as canned goods and cheese. Under the rules of most railways the jobber cannot ship such products in less than carload lots in freezing weather, as he generally cannot secure refrigerator cars. When the jobber can secure refrigerator car service, it is under such restrictions as to make it undesirable. For example, the Illinois Central Railroad has a circular which provides that small lots of freight liable to damage by cold in less than carload lots, during the cold season, will be accepted only subject to common box car service, and at the owner's risk, when destined to a point to which through scheduled refrigerator cars are not operated. Moreover, the road will not accept such lots of perishable freight when the temperature is colder than 20 degrees below zero. The circular adds that shippers have the privilege of forwarding their goods by express, or of obtaining refrigerator car service by paying freight charges on a minimum weight of 15,000 pounds.

Refrigerator cars are, however, always available for the exclusive use of the packers, as they are allowed to maintain their own private equipment.

(e) The wholesale grocer finds it impossible to secure peddler car service such as is used by the packers.

1. Most railways do not now own refrigerator cars, and consequently do not offer such service except to the cars furnished by the great packers.

2. Such regular scheduled refrigerator service as is available to them is too infrequent and covers too few towns to be attractive.

3. In any case, the packers would have their special service in addition to any regular schedules.

4. In such few cases as peddler car service similar to that of the packers might be secured, the wholesale grocer generally could not com-

ply with the minimum weight requirements. (The Bureau is advised that the common rule is the I. C. L. rate on each article to destination, with a minimum charge of 15,000 pounds at the 4th class rate.)

5. As to service available to jobbers, in ordinary box cars, the facts are as follows:

(a) No such service as the packers receive is available at numerous small jobbing points through the South, such as York, S. C.; Kinston, N. C.; Quitman, Ga.

(b) The wholesaler has to deliver his goods at the railways' various stations.

(c) The railways are not always able to supply merchandise cars at their stations, and the jobber suffers as a result of any car shortage.

(d) It is the common practice for the railways to hold shipments over until the following day, which means a frequent delay of approximately 24 hours. This does not apply on shipments in the packers' private cars.

(e) Quite frequently the railways' ordinary merchandise cars will be "held up" for sufficient tonnage. For example, the Ga. Sou. & Fla. R. R. writes that cars are loaded with merchandise to move on their scheduled trains "when a sufficient volume of freight is tendered," and a typical jobber's report is that "None of the roads are able to give local shippers daily service to what is known as intermediate points, it being the practice to hold freight for such points until such date as they have sufficient tonnage to make up a regular local car." (Stag-maier & Co.)

(f) There is practically no expedited service available to the jobber, such as the packers receive in their refrigerator peddler cars, which are supposed to be operated for the transportation of fresh meat.

(g) The jobbers' merchandise cars, even when operated on a schedule, are likely to be "set out" while on the road, as is not the case with the packers' peddler cars. It is the universal experience of the wholesale grocer that cars containing his ship-

ments are frequently set out short of destination, resulting in a delay on the line of at least 24 hours, and in some cases 48 hours.

(h) Another universal complaint of the wholesaler is that his cars are delayed at division and junction points. They may be either through failure to make connections with the local schedule, or for the purpose of transferring and checking freight. The packers' peddler car is transferred without delay.

(i) If the regular merchandise car arrives after hours, it is held over until the next day, while the packers' car will be handled at once, and sent on its way.

(j) The packers are able to accept orders for loading in their peddler cars on the same day the order is received, even after the freight depot is closed to the jobber.

See also, Exhibit C.

It will thus be apparent that the alleged advantages enjoyed by the wholesale grocer are not comparable to the service given to the packers' peddler cars.

(f) The jobbers have had serious difficulty in procuring the necessary stocks of staple groceries. This has been true of such important commodities as dried fruits, canned fruits and vegetables from California. In the fall of 1917 the jobbers through the South and East were seriously handicapped in this regard, while at the same time the meat packers, on account of their transportation advantages, had no difficulty.

(g) Packers Seizing Grocery Business. The result of such discrimination in railway service is that the wholesale grocer is gradually losing one line of business after another. It is generally estimated that the meat packers have gotten hold of about 25 per cent. of the grocery business in large sections of the country. Everywhere their incursions have prevented the growth of business that would otherwise have occurred. Some concrete illustrations follow:

"I am also interested in the distribution of White Way Compound, but on account of transportation facilities I have almost had to eliminate this from my business. As a matter of fact, it has been said that I am the only jobber or distributor of Compound that has his private brand. I have operated very successfully with this until the past year and I not only operated in Greenville, but

in all of the Southern States, and, having had a mailing list of more than 25,000 names, both retailers and wholesalers, I could have done a good business, but I have really had to practically quit this business on account of the time that a packer can make delivery anywhere in the South in the package car within three to six days, whereas it takes me fifteen to thirty days to get a shipment from Memphis, Tenn., to Greenville, Ala." (D. D. Metcalf, Greenville, Ala.)

The Bureau was recently informed by Mr. George H. Hart, Vice-President of Mackorell-Hart Grocery Co., as follows: "Our attention has been called to the fact that our salesman missed a sale on some rice, as the party said he had some bought that would be delivered in a day or two in Morris' Car." This occurred in the vicinity of York, S. Carolina.

W. B. Chew & Co. of Houston, Texas, give some specific information as to the extent to which the packers have cut in on the grocery business in their market: "As near as we can tell from the number of retailers who are handling such items as soaps, salmon, olives, kraut, rice, beans, dried fruits, crushed fruits, grape juice, cheese, and other articles which have been offered by them and are handled by wholesale grocers, we believe it is safe to say the business has virtually been absorbed by them (the packers) to the extent of, at least

Cheese	60 to 75%
Canned Kraut	60 to 75%
Salmon	20 to 25%
Olives	10 to 15%
Rice	10 to 15%
Grape Juice	25 to 30%
Soap	15 to 20%
Beans	20 to 25%
Dried Fruits	50 to 60%

It is little wonder that William B. Colver, Chairman of the Federal Trade Commission, not long ago testified that "if the present tendency were continued, the wholesale grocery would disappear as an independently operated business in this country in five or six years." (Hearings before the Committee on Interstate and Foreign Commerce, January 2, Jan. 8, 1919, part 2, p. 48) Mr. Colver gave numerous instances tending to show that the meat packers had already taken away about 25% of the business of wholesale grocers.

2. Rates and Classifications.

The meat packers, under the head of "packing house products," get certain special concessions in classifications and rates, which were no doubt originally intended to facilitate the shipment of important perishable food products as

fresh meats. It is difficult to make a comparison as to rates, for, as the Interstate Commerce Commission has held, "the circumstances and conditions surrounding the shipment of packing house products and fresh meats in peddler cars, and all other freight in ordinary merchandise cars, are * * * radically different, and the rules, regulations and requirements applicable thereto * * *

(a) The class, "packing house products," is unreasonably broad. It includes a wide range of products both perishable and non-perishable, ranging from fresh meats of various kinds, through numerous kinds of dried and salt meats, and lard, to lard substitutes, cottonseed oil, canned soups and pork and beans. (Texas Lines Tariff 2-D.) As a result, the packers have been able to secure advantages which have generally been handled by grocers.

(b) Several important railways in their rulings, providing for the handling of "packing house products" in peddler cars, go so far as to include not only packing house products, but "other commodities" (unspecified), or "any commodities shipped by packing houses." This obviously enables the packer to secure such advantages as he enjoys in connection with his meat products, for any products which he may care to handle.

(c) One of the most serious discriminations in rates connected with the packers' peddler car results from the provisions of the commodity tariffs in force under the Southwestern Lines Tariff No. 33-Q and the Texas Commodity Tariff No. 13-B, as governed by Western Classification No. 55.

(1) The S. W. Lines Tariff provides the commodity rate which applies from recognized packing house points in Kansas, Missouri, Oklahoma and Texas, to points in Arkansas, Louisiana, Oklahoma, Texas, New Mexico and Missouri. These commodity rates are available to the packers' peddler cars only. They are lower than the regular class rates. The "packing house products" class includes various items which in the regular classification rank as first, second, third and fourth class, fresh meat being generally first class. The special commodity rates, however, are nearly all lower than, or equal to the fourth class rate, and the commodity rate on fresh meat is equal to the regular third class rate, or less.

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(2) The special commodity rates on transportation in peddler cars from packing house centers apply to fresh meat and certain specified meat products, and to packing house products. It is important to note that "packing house products" include lard substitutes, cottonseed oil, and various canned soups and canned meats with vegetables. These products are all generally recognized as grocery products.

(3) Not only is the "packing house products" class one which includes groceries, but the tariff provides that "other articles" can be loaded into the peddler cars and that they shall be charged at L. C. L. rates.

(4) It is further provided that the charge for "other articles" will be included in the revenue which is required as a minimum charge for the car. (The minimum charge is based on 10,000 pounds at carload rate to the destination of the car.)

(5) The result of these provisions is that all articles in the cars are pooled, both the meat and grocery products. This has three chief results:

(a) It insures a special rate on meat and on "packing house products," including canned soups, cottonseed oil, etc.

(b) It enables the packer to avoid the penalty which he would otherwise have to pay when he was unable to load the peddler car with 10,000 pounds of meat and meat products.

(c) It secures to the packer a specially expedited service for groceries ("other articles") on which he is required to pay only the regular L. C. L. rate, and which, as a matter of fact, gives him an average rate lower than the regular rate, inasmuch as the contents of the car are pooled insofar as the minimum charge is concerned.

As illustrating the amount of the discriminations which result from the existence of these special commodity rates in the Southwest, the following typical cases may be cited:

Kansas City to Ft. Smith, via Frisco.
(334 miles)

Fourth class rate.....	\$0.61½
Packing house products.....	.55
Packers' advantage.....	.06½
First class rate.....	\$1.19
Fresh meat.....	.77½
Packers' advantage.....	.41½

(Minus cost of refrigeration.)
Kansas City to Stillwater, Okla., via K. C. Sou. (258 miles)

Fourth class rate.....	\$0.52½
Packing house products.....	.45
Packers' advantage.....	.07½
First class rate.....	\$1.09
Fresh meat.....	.64

Packers' advantage..... .45
(Minus cost of refrigeration.)

A leading wholesale grocery firm of Oklahoma City reports that in dealing in pork and beans they have to compete with the packers on the basis of the following rates:

From Kansas City to Oklahoma City	
Packers' rate.....	\$0.21½
Grocers' rate.....	.51½

As a result of the operation of the Texas Commodity Tariff No. 13-B, it is found that the rate on lard compound and canned meats from Fort Worth to Alford, Texas, for the packer (by peddler car) is 29¢ per cwt., while for the jobber the regular LCL rate is 29¢ per cwt. The rate on cooking oil from Fort Worth to Durant is reported to be 31½¢ for the packer as against 50¢ for the wholesale grocer. On shipments of canned soups, chili con carne, pork and beans, lard compounds, etc., between Fort Worth and Waco, a distance of 87.3 miles, the packer only pays 27½¢ per cwt., while the wholesale grocer is compelled to pay the regular LCL rate of 36½¢ per cwt. on the same commodities. Of course, these differences are merely illustrations, as similar differences apply on shipments to other points in this territory.

This advantage of the packer is increased when the shipment moves over two lines, the two-line arbitrary being 2½¢ on packing house products and 5¢ on canned foods.

(d) The packers get a special service at a regular rate. Even where no commodity tariffs exist, most of the tariffs provide that the contents of peddler cars shall pay freight at the regular L. C. L. rate from point or origin to destination. It follows that the packers secure a special, preferential and exclusive service, involving greater speed, regularity and frequency than ordinary freight service, at the same rate paid by the wholesale grocer for the regular freight service, which is not exclusive, and does not have the speed, regularity or frequency of service given to the packers' peddler cars.

The packers provide the cars used by them, but the railways pay for their use. The packers load and ice their cars, but the railways give them switching service. After every factor in the situation is allowed for, it remains true that the

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packer pays the same rate as the jobber for a service which is far superior to that given the jobber.

(e) Packing house products enjoy special minimum carload advantages. For example, the meat packer is often able virtually to avoid the minimum penalty in the case of his "peddler cars," for if the minimum carload weight is 10,000 pounds, and he only has a shipment of 6,000 pounds of meat or other packing house products, he can add 4,000 pounds of canned vegetables or fruit, thus securing shipment on a full minimum carload shipment. In the Southwest the revenue on the canned goods, or other groceries, will apply on the minimum charge for the car. If, therefore, the car is regarded as operated primarily for meat products, it will be seen that the contribution of canned goods toward the minimum charge may be considered as "velvet," and the packer can accordingly afford to sell the canned goods cheaper.

It will be found that the Southern Classification minimum carload weights are, on the whole, favorable to the meat packer as compared with the wholesale grocer. On mixed carloads of meats and packing house products the minimum carload weight is 20,000 pounds, while in the case of canned vegetables and fruit the minimum weight is 36,000 pounds, as is also the case with mixed carloads of pickles. (See Southern Classification No. 43, pages 119, 180 and 199.)

(f) The packers secure special privileges in making up mixed carloads. Under the Southern Classification the packers can ship mixed carloads of various fresh meats and cured meats, and various packing house products, including butter, lard and lard substitutes, meats combined with vegetables, dressed poultry, etc., at the rate applying on carload quantities of each article, subject to a minimum charge of 20,000 pounds at the fresh meat carload rate. But the wholesale grocer generally has to meet, not only a higher minimum carload weight, but also has to pay freight on the basis of the highest rating provided for carload quantities of any article in his shipment. The wholesale grocer pays a fixed rate on his entire carload, and does not get the benefit of varying straight carload rates, as does the packer.

B. Advantages Enjoyed by the Packer Other than in Transportation.

The meat packers enjoy certain advantages not in public interest, other than those which come from their possession of private cars. These advantages, while not in the public interest, may not necessarily be "unfair" in the technical sense

of that term. Such advantages are as follows:

1. The meat packers own or control the production of many of the grocery products which they distribute, such as canned salmon, canned vegetables, ketchup, breakfast foods, grape juice, etc. In case they own the factories which produce these grocery products, they receive the profit of the manufacturer, and they may, if they so choose, forego all or any part of this profit in order to undersell a jobbing competitor. Or, in other cases, they may take advantage of the situation to make a showing of high costs to justify high prices. By contracting for the entire output of canning plants, they are able to secure an assured supply and virtually to buy off competitors. The tendency of this complicated and far-reaching "integration" is to restrict competition.

The Bureau has been informed that Armour & Co. has recently been endeavoring to secure the entire output of canned strawberries, cherries, etc., of several Michigan plants, and has made arrangements with growers' associations in the Tulare district of California covering their entire pack of canned fruit (peaches and apricots). The same company appears to have placed orders with brokers in various cities throughout the United States, each order being for from 10,000 to 13,000 cases of canned pineapple. One jobber in a letter dated Feb. 20, 1919, writes that:

"We just yesterday read a letter from an independent California packer stating that there were a lot of goods he had not been able to supply this season because they were packed and controlled. Last year we were getting a good many cereals from the Serv-us people, and they wrote us that they could not supply any more just at the time, as the factory they had their arrangements with had been bought by one of the big packers. The same thing happened on milk, and then these people built a milk factory of their own. We understood that one of the packers offered them about twice what this milk factory cost them."

2. They are SPECULATORS in many food products, including grocery products. They buy up job lots and stocks left at the end of the season (e. g., dried peaches). They purchase large quantities from the growers or manufacturers, and dispose of them to the retail trade through different selling organizations. Often they do not intend to carry these articles in stock continuously, but are what may be termed "scalpers," buying in large job lots, perhaps regardless of quality.

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A phase of this speculative activity lies in the fact that they sometimes strip the market in a given locality bare of some article, buying of jobbers, and even of retailers, and shipping the products to other markets where a better price may prevail. It is reliably reported that Armour & Co. offered the Griffith-Durney Company in San Francisco an order for 30,000 cases canned asparagus at their opening price, and it may be inferred that after this offer was declined they submitted similar orders to other asparagus packers and brokers, for asparagus soared up in price as soon as the opening prices had been quoted, and pro rata deliveries were made to many jobbers. The sudden entrance of the big packers into the rice and bean markets of the country must have had a similar effect. Though not always the case, this may be to the detriment of consumers, in that the difference in price between the two markets concerned may not correspond with the relative scarcity or abundance. In other words, their activity unduly enhances prices in the market in which they purchase.

3. They, as a rule, engage only in those lines of groceries on which there is the largest profit to be made. For example, breakfast foods and canned goods. They leave almost entirely to the jobber the distribution of such staples as salt, sugar and flour, on which the margin of profit is very narrow. The result of this is that the average profit of the jobber in grocery products is reduced toward the low level prevailing in such commodities as sugar and salt, and a tendency is established to drive the wholesaler out of business. By making it impossible for the wholesaler to handle a complete line of grocery goods, this tends to make the retail grocer increasingly dependent on the meat packer.

4. They extend credit only to customers whose rating is the best, leaving the jobber to carry the trade which requires the greatest financial assistance. This again tends to disrupt the regular channel of wholesale distribution of food products by reducing the average profits of the jobber.

5. The meat packers are able to and do conduct national advertising campaigns. These advertising campaigns are directed toward building up a good will for the companies as a whole, and apply to their private brands, which are connected with complete lines of meat products and groceries. Such advertising represents a large percentage of waste. It must be paid for by the consumers. Its cost cannot be definitely assigned either

to meat products or to grocery products. It tends to concentrate business in many lines in the hands of a few concerns, and accordingly to destroy the business of numerous independent concerns.

II.

UNFAIR METHODS OF COMPETITION USED BY THE MEAT PACKERS IN THEIR EFFORTS TO GAIN CONTROL IN THE GROCERY BUSINESS.

A. Unfair Methods in Transportation.

1. The meat packers employ skilled traffic men to make up the descriptions of shipments as set forth on bills of lading, and their employees load their private cars. This enables them to manipulate classifications and to take advantage of the ignorance of the railway men at the small stations who unload cars. Moreover, not infrequently the last part of the contents of the car to be unloaded will be consigned to a branch house of the packer, in order to avoid complete check. It would be difficult to prove that the packers have taken advantage of this power, but the possibility is there, and it is a dangerous possibility. Moreover, it is the opinion of many wholesale grocers that the power has actually been abused.

2. The packers at some points (e. g., Fort Worth, Texas) charge the average freight for each car route on any goods contained in their peddler cars in order to arrive at the delivered price of their goods. In other words, a car containing fresh meat, canned tomatoes and rice, which articles bear different rates, would have an average rate which might be greater or less than the rate of any one of the products. By adding the average rate to the cost on each of the products, the selling price is arrived at. This enables the packer to undersell the jobber on groceries, as the jobber must pay the less than carload rate on his rice or his tomatoes, separately, and add it to his cost f. o. b. warehouse. This method of making the delivered price, as used by the packer, constitutes "unfair costing." The unfairness lies in the fact that in markets one product bears a part of the cost of distributing another product, and puts it in the power of an unscrupulous dealer to drive out a competitor who is not in a position to protect himself by adopting similar methods.

It also appears that in certain Kentucky districts it has been the practice of Armour & Co. to average the freight, and to make a flat addition to their f. o. b. prices in order to arrive at the delivered price.

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3. It is a matter of common knowledge that packers in their peddler cars often include so small a quantity of fresh meat as to make the use of refrigerator cars for this special service a fraud on the public. There has been presented above evidence concerning the contents of such packer cars. To ship in heavy refrigerator cars large quantities of non-perishable groceries, together with a small quantity of meat, constitutes an "unfair method" of competition, and one which calls for strong prohibitory action.

B. Other Unfair Methods.

The meat packers have used numerous unfair methods in their competition with the wholesale grocer in addition to those already mentioned under the head of "Transportation."

1. The bureau has received proof from Nobles Brothers Grocery Company of Lubbock, Texas, that one of their customers has in the past been given certain amounts of fresh meat by a Chicago packer in order to induce him to buy goods from the packers. This proof is in the nature of invoices, showing, in addition to the goods ordered, the inclusion of such items as:

- 1 Piece No. 3 Cow Round, iced;
- 1 50-lb. crate frozen spare ribs, iced, etc.

The freight and icing on these "bonuses" was prepaid.

2. Agents of the packers have in some cases threatened the wholesale grocers with extinction. Armour's representative in Fort Smith, Ark., so the Bureau is advised, has stated that the expense of handling groceries is charged by his firm to meat, and that on groceries his firm only needs to make 5 per cent. gross. This, of course, would enable them to drive the wholesale grocers out of business.

3. Armour & Co. have brought pressure to bear on retail dealers who handle meat for the purpose of compelling them to buy eggs, butter, cheese, cereals and canned goods. This is alleged in several cases. As illustrations of this point, the following letters are presented. Names are not mentioned, for the reason that it has been found that dealers are very loath to give evidence for fear of the packers' power.

"Houston, Texas, March 7, 1919.

"Gentlemen:

"A salesman representing a specialty line of goods different from ours told the writer a few days ago that he happened to be in a retail store when a packing house salesman came in. The retailer told him to send out six strips of bacon and a can of lard. The salesman thanked

him and then remarked: "We are now putting out, as you probably know, the best corn flake for the market, and the price is right, and I am going to send you out five cases." The retailer told him that under no circumstances would he handle his corn flakes; that he handled Post Toasties, and was satisfied with the goods, and that if the packing house sent out five cases, or any cases at all, they would be returned, but be sure to get the lard and bacon out immediately, as he needed the goods to fill orders with. The order was filled, including the five cases of corn flakes. The retailer told the driver to take the corn flakes back; that under no circumstances would he handle them. The driver then went to the telephone and called the packing house, and asked the retailer to talk. The boss told the retailer that the entire business had already been made in the books and that they could not enter a credit for part of a shipment, and that if he would not take the corn flakes, he could return the entire shipment. He further stated that he could keep the corn flakes for sixty days and if he had any unsold portion at the end of that time, they could be returned. The retailer was waiting to fill his orders with bacon and lard, and under the circumstances he accepted the corn flakes in accordance with the conditions mentioned above.

"This is the kind of competition we are having away down here in South Texas. "Truly yours,"

This letter is from a reputable firm and is addressed to one of the largest cereal companies in the country.

Another letter of the same kind is as follows:

"May 20, 1919.

"Dear Sir:

"Referring to our conversation of Saturday afternoon in regard to the Armour Company's way of forcing their goods on customers, would say: I called on Mr. West Main St., Kalamazoo. Mr. informed me that the packers told him if he did not handle their goods, flakes especially, they would put in a complete line next door, a meat market, and sell at so low a price that he would be out of the game. Mr. had on a shelf in a corner in the back of his store two packages of Armour flakes and a few packages of rolled oats. However, Mr. does not mention them, and only sells them when a customer insists upon having that particular brand.

"From San Antonio the Bureau has received proofs of activity of one of the five large meat packers in attempting to

force retailers to handle his cereals and macaroni. The evidence is in the shape of a sales slip of the Armour Grain Company, representing the sale made to an individual consumer on June 13, 1919, consisting of two 15c packages of Armour Corn Flakes and one 10c package of Armour's Spaghetti, the two articles being sold for 35c! The order was turned in to be delivered through Fink Brothers, a retail grocery house of San Antonio. Nevertheless, Armour & Co. (not the Armour Grain Company) attempted to deliver this order in one of their trucks, without going through the retailer. The purchaser then refused to accept the goods. This shows the length to which Armour Grain Company, in conjunction with Armour & Co., will go in order to get their cereals in the hands of consumers.

4. The packers have engaged in "unfair costing." They charge a part of the cost of doing business in one line to another line. By pooling costs in this way they can undersell the competitor who is limited to some particular line of goods. This is one of the most serious of all "unfair methods" of competition. The scope and nature of this unfair method is indicated by J. Ogden Armour in his testimony before the Senate Committee on Agriculture and Forestry of the 56th Congress, 3rd session, in which Mr. Armour stated that "the fresh meat business is to the food-purveying business just what the news is to a daily paper." The by-products and side lines are like advertising matter. He went on to state that the news gives a paper circulation, "but it is the advertisements which pay the bills;" and concluded by stating "that is why we are competing with the wholesale grocers in the handling of some food products." (Part 1, pages 546-547.)

5. The meat packers are enabled to manipulate the margins on certain food products in such a way as to cause loss and injury to competitors engaged in those lines. For example, the case of cheese may be mentioned. The Federal Trade Commission in its report on "The Meat Packing Industry" (Part 2, pages 134 and 144) conclusively proves that the packers have it in their power to make the market on cheese, and that they have done so. Thus with this power they are able to fix the price which the wholesaler has to pay for the cheese when he purchases, and thereafter, at their pleasure, advance or break the market in which the wholesaler has to sell the cheese which he has purchased.

It is believed that the packers have similar power in the case of canned salmon

and some other canned foods. The packers and other canning and brokerage interests affiliated with them control, directly or indirectly, over half of the entire output of canned salmon in the country. The price on salmon is made by one or two leading interests, which fact gives the packers control in this industry a special sinister significance.

III.

OTHER CONDITIONS IN DISTRIBUTING GROCERIES AT WHOLESALE WHICH ARE INJURIOUS TO THE PUBLIC WELFARE.

A. WASTE.

As a result of the entrance of the meat packers into the distribution of groceries and similar food products, there has been built up a system outlined above according to which non-perishable products are transported in large quantities in refrigerator cars. This system involves the following economic wastes which are in the nature of a loss to the public:

1. Ice. Rice, beans, canned goods, etc., do not require refrigeration, and to haul them under the heavy refrigeration required for fresh meat is a serious waste of ice.

2. Dead Weight. Refrigerator cars are several tons heavier than ordinary boxcars, and to use them for foods which might be hauled in ordinary boxcars involves the hauling of unnecessary weight.

3. Switching. The placing of private cars for the packers to be used in the distribution of groceries involves unnecessary switching operations.

4. Empty Back Haul. The private refrigerator cars of the packers are hauled back empty. This is almost without exception. This is a serious waste, in that the cars may be used for vegetables and fruits in their back haul. Of course, if ordinary boxcars were used, as should be the case with non-perishable groceries in many instances, they could be used for ordinary freight in the back haul.

5. The method of distribution used by the packers involves wasteful duplication of an expensive service. It is customary for as many as three or four of the large packers to ship packing house products and groceries out of a given point in their peddler cars. They may go over the same line making the same town either on the same day or different days. This involves the same waste in transportation as is involved when a dozen different milkmen deliver milk to a dozen different people living within the same block, and without any competition in price.

6. Each of the private refrigerator cars for delivery of non-perishable commodities, both packing house products and groceries, contributes to the existing shortage of such cars. The nation's equipment of refrigerator cars is hardly adequate to its needs. They are needed in the summer to prevent spoilage by heat, and in the winter to prevent freezing. The maintenance of the system of private car lines tends to confine the use of these expensive items of railway equipment in the hands of a few who use them in such a way as

- (a) to include non-perishable food products in their contents, and
- (b) to cause empty back haul.

7. The movement of freight trains is unnecessarily delayed to enable deliveries from station to station by the packers' peddler cars. Also special service is given to such cars. Such special preferential service as indicated in the two preceding sentences is desirable in the case of much perishable food stuff and meat, as already pointed out. The institution of such preferential service and equipment was originally designed for fresh meat. To the extent that non-perishable groceries are included in shipments made under such preferential service, we have a spectacle of fast freight trains of refrigerator cars rushing from Chicago to Southern points to deliver to branch houses of the packers non-perishable merchandise which they can then peddle through the special expedited "route cars" to the retail trade—all to the end of eliminating the wholesale grocer and other competitors who are dependent upon ordinary common carrier service!

B. MONOPOLISTIC TENDENCIES CONNECTED WITH THE ENTRANCE OF THE MEAT PACKER INTO THE DISTRIBUTION OF GROCERIES.

1. Financial Power of the Meat Packer.

The competitive power of the meat packer is not based solely, or perhaps chiefly, upon efficiency. It depends largely upon the possession of financial strength. This financial strength lies in the close affiliation between the large meat packers and the banking institutions of the country. Their officers are directors of banks or the holders of their securities and obligations. The importance of this fact has been brought out in the hearings of Congressional committees and the reports of the Federal Trade Commission.

It is hardly necessary to point out the power that the meat packers have to

raise funds by the issue of stocks and bonds, which power is facilitated by affiliations with banking institutions.

The high degree of integration which has taken place in the industrial organization of the meat packers increases their financial power and makes it more sinister. They are enabled to charge the expenses of one line of industry to the distribution of some particular product or to other lines of industry. They can reduce prices in one region while maintaining them in another. They can contract for all or a large part of the outputs of factories scattered throughout the country, thus securing deliveries of canned foods and other products, when the local distributors, dependent upon limited areas, may be able to secure but small pro rata deliveries.

It is to be noted that the last source of power DOES NOT MEAN ECONOMY in the distribution of food products. It is purely a special, private acquisitive advantage enjoyed by the large integrated concerns. It gives such a concern an advantage in competing with smaller, simpler organizations.

(a) In connection with their financial power, it is to be noted that the large meat packers have a great degree of control over the money market through their extensive borrowings. All over the country one or the other of the large meat packing concerns is borrowing from local banks for the purpose of carrying and enlarging local business.

2. Enhancement of Prices.

The large meat packers are partly responsible for the recent high prices of such food products. Almost in a day they have become the largest dealers in rice in the world. Rice is a product which has been widely distributed and used for many years. It has been carried by every grocery store in the country. The meat packers, and notably Armour & Co., early in the war, saw an opportunity to make money through the enhancement of price on this commodity, and promptly purchased it in enormous quantities. The inevitable result was an increase in the price of rice, which, far from being to the advantage of the consumer, was a serious factor in increasing the cost of living. In a similar way the meat packers have, by running up the prices on other commodities, such as dried fruits, canned foods, beans, etc. (see above, p. 10) tended to enhance the price of food-stuffs. This fact is to be remembered in connection with the argument sometimes advanced by the meat packers that their entrance into the grocery business has resulted in economy in distribution.

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In their efforts to secure control over the supply of such commodities as those mentioned in the preceding paragraphs they have increased the scarcity of each.

3. Institutional Advertising.

The use of general institutional advertising by the meat packers, conducted in extensive national advertising campaigns, at enormous expense, is not only a great social waste, but a serious menace to competitive conditions in industry. The Bureau would be the last to deny the desirability of advertising for the purpose of informing the public as to the existence of perishable commodities and the source of supply of such commodities. Advertising is necessary as a means of making sales of commodities. This, however, is an entirely different matter from advertising which is in the nature of propaganda. The packers have conducted advertising campaigns for the purpose of discrediting the duly constituted departments of government. They have spent millions for the purpose of "educating" the public to the idea that they are the most economical distributors of food products, including groceries. One of the big packers admits having expended \$1,700,000 on advertising in 1918, and proposed to spend \$2,500,000 in 1919. These millions are carried as an expense of their business, but it is borne by those branches or departments of their business which are the most profitable. There is reason to believe that their sales of beans, rice, canned vegetables, canned fruits, dried fruits, breakfast foods and numerous other grocery products have not contributed their share of the cost of this advertising propaganda.

We believe that such advertising campaigns are not socially desirable. In any case, we insist that if such advertising is to be carried on, the cost of it should be borne by each and every product which benefits by it.

Another point: Who pays for this advertising—in the final analysis?

4. Evidence of Actual Monopoly.

The Federal Trade Commission in its report on the "Meat Packing Industry" (Part 2) has clearly demonstrated that not only in the meat business, but also in lard compounds, cheese, poultry, butter and eggs, such agreements exist between the large meat packers and such collusive methods are used in the sale of said products as to give the meat packers a substantial control over price. This is monopoly. Combinations and monopolies by the packers are also shown to exist in the rendering business. (F. T. C. Report on Meat Packing Industry, Part 2, Chapter 3, Section 6.)

Among the evidences of monopoly proved by the Federal Trade Commission's investigation is division of territory (F. T. C. Report on the Meat Packing Industry, Part 2, Chapter 3, Sections 4 and 5, Chapter 2, Section 14). The Bureau's attention has especially been called to a division of territory in the neighborhood of McAlester, Oklahoma. The city business is reported by the local wholesalers to be given to Armour & Co., which company ships in carload lots from Fort Worth, Texas. The territory outside of McAlester, Oklahoma, is apparently divided between Morris & Co. and Wilson & Co. Morris & Co. run a peddler car out of Oklahoma City to supply points to the south of McAlester. Wilson & Co. supply points north of McAlester. This is but one of many instances. It will be noted that the peddler cars referred to contain not only meat, but various lines of canned foods and other groceries.

An examiner of the Bureau was informed that while Armour & Co. and Swift & Co. both operate branch houses in Louisville, Kentucky, there is little, if any, competition between them, Armour & Co. doing about 90 per cent. of the business. This situation is apparently maintained by an arrangement that Armour's prices on main products shall be maintained at from 1 to 2 cents lower than Swift's. In Cincinnati conditions are reported to be reversed, Armour doing but little business there, while Swift is increasing its force. This seems to indicate a division of territory.

The Bureau is advised by an El Paso, Texas, jobber that competition among meat packers in that town is wholly spurious. The jobber says:

"We have here Swift & Co., Wilson & Co., Morris & Co. and Armour Packing Company, all in the wholesale grocery business, carrying stocks of goods that are entirely outside of the packing line. We notice, however, that each specializes in certain lines that do not seem to conflict with each other to any great extent. For instance, Swift & Co. goes in strong for canned fruits and pickles, Wilson for preserves, Armour on rice and beans. We expect that they are doing about 25 per cent. of the jobbing business in the grocery line."

The West Florida Grocery Company reports that

"We find that the packers rotate prices on certain lines on different weeks; in other words, their heavy articles will be sold by a certain packer one week, and the following week by another."

Apparent evidences of competition, when examined, have generally been

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found to be spurious. When more than one packer serves a town by peddler car, it will generally be found that they do not deliver on the same day. Out of seven statements received by the Bureau on this point five are to the effect that no two packers make the town on the same day, and the other two state that they do not generally do so. An examiner of the Bureau reports the arrival of peddler cars in Jellico, Tennessee, as follows: "Swift, Tuesdays; Armour, Wednesdays; Wilson, Thursdays (or Friday), and Morris, Fridays (or Saturdays)." Also at Middlesboro, Kentucky, the Armour car arrives on Mondays and Thursdays and Swift's on Tuesdays and Fridays. At Horse Cave, Kentucky, Armour's car arrives on Saturday; Swift's on Monday, and Morris' on Friday (sometimes Saturday). Armour's car arrives at West Cross, Ga., on Thursday; Swift's on Monday and Friday. (These towns are taken at random.)

Moreover, when one packer cuts the price on a certain line of goods, say hams, it will be found that such cutting takes place in rotation, or is in other ways collusive, and designed to create a show of competition. The Federal Trade Commission report referred to above contains ample evidence of this fact, not only as to meat, but also as to cheese and other products.

IV.

THE INROADS OF THE MEAT PACKERS INTO THE GROCERY BUSINESS NOT A MATTER OF NORMAL COMPETITION.

1. Wholesalers Stand for Fair Competition.

The motto of the Southern Wholesale Grocers' Association is "Regard for the Public Welfare is the Highest Law." The wholesale grocers of the South—and it is believed elsewhere—believe in full play for reasonable competition. It is in the interest of the public, therefore, and of the maintenance of such reasonable competition that they have established the Bureau of Research and Publicity. The Bureau finds that there are in the country some four thousand wholesale grocers. The membership of the Southern Wholesale Grocers' Association alone is approximately sixteen hundred separate wholesale grocery concerns. The Bureau further finds that these WHOLESALERS ARE IN KEEN COMPETITION WITH ONE ANOTHER, and the closest investigation by government departments designed to test this statement is invited. No wholesale grocer has the financial power or the high de-

gree of integration or the ownership of private cars which constitute the menace of the meat packers' competition. The jobber in the grocery business is not able to engage in "unfair costing" by loading one product with the cost of distributing another.

He has no way of averaging all of the commodities he handles, for each is based upon a small margin of profit, which is an open book. His profit depends not upon large margins, but upon rapid turnovers. His interests are diametrically opposed to high prices.

2. The Meat Packers' Inroads on Grocery Business Not Based on Fair Competition.

Such being the case, it will be apparent that the competition between the big meat packers and the wholesale grocers is not one of the survival of the FITTEST, but is one of the survival of the STRONGEST, and the strongest may not be the one whose operations are in the public welfare. When the packer's salesman can say to the retail dealer, "We deliver rice or canned tomatoes at your door next Tuesday morning, just as we do your meat; we can do this because we have our private refrigerator cars and the railways give us special, expedited service," he gets the business—but he does not get it because he is more efficient. He gets it because he enjoys private, acquisitive advantages over his competitor. And when the packer says, "We can sell you beans or bottled ketchup cheaper than the wholesale grocer," he may be telling the truth, but if it were the truth, would his power be based upon superior efficiency? Might it not be due to the fact that he was charging a part of the cost of distributing the beans and ketchup to his hide and leather business?

Above all, may the alleged advantages of the meat packer in distributing food products not be based upon insidious, financial power, supported by equally insidious advertising campaigns, which are not elements in efficiency, but are destructive to the public welfare?

Put the packers on even terms with the wholesale grocer and there will be no danger. Take away the packers' discriminatory advantages and monopoly power, and the wholesaler will not fear him.

V.

CONCLUSION AND RECOMMENDATIONS.

The obvious conclusions from the foregoing statement of facts is that decisive steps must be taken to get rid of MONOPOLY.

Monopoly exists in the distribution of

meat and meat products. Monopoly exists in the distribution by the meat packers of other food products, including poultry, butter and eggs and various grocery products, such as cheese, canned salmon and other items.

In order to get rid of monopoly, the CAUSES OF MONOPOLY MUST BE REMOVED. The cause of monopoly in the distribution of food products are as follows:

1. Unfair Methods of Competition.

Unfair methods of competition fall within the jurisdiction of the Federal Trade Commission, and that body, if adequately supported, may be counted upon to take the action required by the public interest. It has accomplished much.

There exist, however, certain causes which are in some respects more fundamental than the unfair methods of competition which the Federal Trade Commission can remedy. These are conditions which either make unfair competition possible, or increase the evil effects of such competition. They REQUIRE LEGISLATION FOR THEIR REMOVAL. Especially to be mentioned are:

2. Control Over Raw Materials.

The great meat packers, in the ramifications of their business, include more or less control over the sources of meat, cheese and certain important items of canned food—to mention but a few. It is vitally important to strike a blow at this root of monopoly by segregating from the meat packing business the business of producing and selling live stock.

KENYON AND KENDRICK BILLS.

This would be achieved by the enactment of such bills as are introduced by Senator Kenyon (S-2202) and Senator Kendrick (S-2199), which bills provide for the segregation of stock yards and related branches of business from the meat packing business, and for the licensing thereof. More important than the meat business, from the point of view of the wholesale grocer of the country, is the packers' control over the sources of supply of cheese and various canned foods, notably salmon, and California fruits and vegetables. IF THE PACKERS ARE TO BE ALLOWED TO CONTINUE TO BRANCH OUT AND SECURE CONTROL OVER VARIOUS FOOD PRODUCTS, IT WILL BECOME NECESSARY TO TAKE THE SAME ACTION WITH REGARD TO THESE VARIOUS PRODUCTS AS IS NOW PROPOSED WITH REGARD TO STOCK YARDS AND RELATED AGENCIES. IF, HOWEVER, THE MEAT PACKERS ARE RE-

QUIRED TO "STICK TO THEIR LAST" AND TO CONFINE THEIR BUSINESS TO MEAT PACKING, THIS DANGER WILL BE REMOVED.

3. Excessive Integration.

In an apparent effort to extend their monopolistic control which has been secured over meat products, the packers have of late years rapidly extended their business until it embraces not only meat packing with all the numerous ramifications of that great industry, but also poultry and dairy products, drugs, and groceries, to say nothing of the sinister operations which they carry on in grain and leather. Armour & Co. and Wilson & Co. are handling a nearly complete line of grocery products. The housewife is told through stupendous national advertising campaigns that the "Wilson Label Will Protect Her Table," and that she should keep in her pantry a shelf of the "Oval Label" products, which she can secure from her grocer, when in turn gets them from Armour & Co. This amounts under a single control of numerous different branches of industry is what is meant by excessive integration. With it goes the ABILITY TO JUGGLE COSTS AND TO DISCRIMINATE IN PRICE. It becomes possible arbitrarily to load any given proportion of an enormous overhead expense upon any one of these numerous products or branches of business, and to CUT THE PRICE ON ONE PRODUCT, SAY CANNED TOMATOES, WHILE SUSTAINING PROFITS BY RAISING THE PRICE OF SOME OTHER PRODUCT, SAY HIDES OR HAM.

The passage of such bills as the Kenyon Bill or the Kendrick Bill would remedy this situation in part by leaping off the control over the earlier stages of the meat business and by subjecting the packers to a more adequate regulation, including accounting provisions. Furthermore, the provisions of these bills which would eliminate the preferential advantages now enjoyed by the meat packers in the shipment of grocery products in their peddler cars would tend to check their expansion in the direction of the wholesale grocery business. As will be shown later, however, it is desirable to do away with the ownership of private car lines by shippers entirely, in order to make a decisive end of this unfair advantage. In general, the adoption of regulations which will preserve competition and take away monopoly profits in certain lines will tend to relieve the condition of excessive integration; for it is by the use of monopoly profits that the trust is enabled to build up its business in other

lines, using its financial power to cut prices, and in other ways to secure special advantages.

The Bureau would especially stress the importance of strengthening the control over the accounting methods of the packers. It is urged that this matter be placed in the hands of the Federal Trade Commission, which body by experience and the training of its staff is best able to deal with the complicated question which arises in connection with cost accounting in a business like that of the meat packers. The packers should be required to keep their books according to a form to be prescribed by the Federal Trade Commission, and the accounts should be audited at least twice a year for the purpose of insuring that a rational and logical apportionment is made of joint and overhead expenses, so that each separate group of their numerous products may bear its due share of cost.

4. Financial Power.

A part of the unfortunate situation which has arisen in the food distributing industry is due to the fact that the big meat packers have had so much money that they have not known what to do with it. Their profits have been tremendous. In spite of the fact that they have padded their costs, and indulged in veritable debauches of advertising, the funds continued to pile up. Remedies for this are obvious: Adequate taxation, price control, either directly or through the establishment of competition—the latter being preferable in ordinary times—and the restriction of the field of their operations by preventing excessive integration; these are the remedies.

5. Discriminations in Transportation.

Insofar as the packer enjoys unfair advantages in transportation which can be adequately and promptly reached under the present law, we may rely upon the Interstate Commerce Commission to remedy the evil. That commission, however, finds itself limited by the terms of the law in dealing with private cars. It neither has adequate power to regulate them nor is it able to compel the railways to furnish supplies of such special equipment as refrigerator cars and tank cars. The commission must, therefore, have more power, and to that end it is desirable to amend the present law so as to bring private car lines specifically under its jurisdiction.

More than this, however, the Bureau's researches indicate that no final solution of the problem will ever be reached until private car lines are abolished. This is not to say that originally such car lines

were not desirable. Time was when railways had to look to interested shippers to provide such special equipment as refrigerator cars. That was the time when they were split up into numerous short competing lines, which were not able to make adequate use of special equipment (which might be required only during a limited part of the year), and many of which had not the financial strength to enable them to purchase it. Unquestionably, we must have refrigerator cars, and probably peddler refrigerator cars are desirable; but that does not mean that we must have SHIPPER-OWNED refrigerator cars. Such cars are a part of the necessary equipment of a common carrier, without which it cannot fully perform its functions of a common carrier. Therefore, the common carriers should furnish such equipment. In these days of great railway systems, and with the development of pooling which may be anticipated, the need for shipper ownership no longer exists. The financial arrangements required to enable the railways to secure the equipment are now quite simple. Presumably, refrigerator car lines may be made to pay for themselves. It is only necessary, then, for the railways to form a subsidiary corporation, whose capitalization would be equal to the value of the privately owned refrigerator cars, and to let this corporation exchange its securities for the title to such cars. With joint ownership by the railways secured in this way, this important class of equipment would then be pooled and would be available to all railways of the country who might participate, so that they might furnish refrigerator cars on equal terms to all shippers.

It may be argued that in order to remove the discrimination which now results from the shipment of groceries in the packers' peddler cars, it is only necessary to provide that such cars shall be confined to the transportation of meat products. Undoubtedly such a provision would help in that it would eliminate much of the waste involved in the transportation of non-perishables under heavy refrigeration, and would do away with much discrimination. This, however, would only be a partial remedy, and we would have no assurance that it would be final. To get a complete and final remedy it is necessary to do away with the existence of "packer" cars.

In the first place, it is desirable that there be some "peddler" cars in refrigerator cars, and such service should be available to grocers as well as to packers. Most canned foods and various

liquid products, such as vinegar, grape juice, etc., to say nothing of cheese, and various fruits and vegetables, require refrigeration during a part of the year at least. At the present time there is no adequate refrigerator service available, except in connection with packing house products. In order to meet this situation, it is necessary to make refrigerator cars available to all who may require them. In a word, we must do away with the EXCLUSIVE refrigerator service now enjoyed by the meat packers. In order to do this effectively, the railways must own refrigerator equipment.

In the second place, it may sometimes be desirable to transport some non-perishable products in refrigerator cars. When this can be done without discrimination, and in the interest of utilizing space in empty or lightly loaded cars, it may be economical. It cannot be done without danger of discrimination so long as the refrigerator cars are privately owned, as at present. For, under the existing conditions, the inclusion of non-perishables is made a private and exclusive power for the benefit of the packer-owners. Moreover, the packers, in their desire to secure specially expedited service, prevent the adequate backloading of their refrigerator equipment.

These considerations alone are sufficient to show that refrigerator car lines should not be shipped owned, but it may also be pointed out that a part of the problem is to secure a wider range of towns and a more frequent and regular service, which will be available to all on equal terms. At the present date the packers have made their ownership of private cars the means of securing to themselves special advantages which will enable them to make prompt delivery to many points which the wholesale grocer cannot reach on even terms with them. It seems clear that only when the refrigerator equipment of the packers is turned over to the railways will it be used on a common carrier basis.

No one—unless it be the packers themselves—now denies that there must be a stronger regulation of the use of private refrigerator car lines. If these lines and the peddler car service in which they function are to be subjected to careful regulation, the question arises, why not transfer the title to the railways and make them a part of the common carrier scheme? Why not put them on a public-utility basis?

It is our conclusion that as long as railways depend upon private shippers, such as the meat packers, for 90 per cent. of their refrigerator equipment, they will

be likely to show special favors to the owners. This attitude on the part of the railways has been clearly shown by numerous letters in which they indicate that they are unable to give service similar to that which they give to the packers to the wholesale grocer.

LEWIS H. HANEY,
Chief Economist.

EXHIBIT A. CONTENTS OF PEDDLER CARS

The following contents of typical peddler cars of recent date will illustrate the point:

Sept. 20, 1918, to Jellico, Tennessee, arriving Sept. 25, Armour & Company car No. 14622, containing canned pork and beans, cheese, butter, fruit in glass jars, package coffee and peanut butter. Not over one-half of the contents of the car was fresh meat when car arrived at Jellico.

Nov. 8, 1918, from East St. Louis, Ill., Swift & Company car No. 11899, arriving at Jellico Nov. 12, containing canned kraut, canned hominy, cheese, butter, canned salmon and lard. Contents about 50 per cent. fresh and salt meat upon arrival at Jellico.

Jan. 13, 1919, from Chicago, Wilson & Co. car No. 2733, arriving Jellico, Tenn., Jan. 18, containing cheese, canned peas, canned apricots, package mince meat, dried beans, package coffee, canned cherries and canned tomatoes.

June 12, 1919, from Ft. Worth, Texas, to Weatherford, Texas, Armour & Co. car No. 9402, containing syrup, canned milk, peanut oil, rolled oats, canned kraut, dried apricots, canned vegetables, apple butter, salad dressing, canned corn and lard substitutes.

June 12, 1919, from Ft. Worth, Texas, to Jopla, Denton and other Texas points, Swift & Co. car No. 11748, containing peanut oil, peanut butter, cheese, canned fruit, canned vegetables, pickles, canned salmon, soap, lard substitutes.

Dec. 4, 1918, from Ft. Worth, Texas, to Cameron, Travis and other Texas points, Armour & Co. car No. 10455, containing dried fruit, crushed fruit, salt.

June 12, 1919, Ft. Worth, Texas, to Dallas, Texas, Armour & Co. car No. 11293, containing cheese, crushed fruit, dried fruit, ketchup, tag fasteners.

Feb. 15, 1919, Ft. Worth, Texas, to Georgetown, Texas, and Austin, Texas, Armour & Co. car No. 13013, containing cheese, lard compounds, macaroni.

Feb. 14, 1919, from Ft. Worth to San Antonio, Swift & Co. car No. 10241, containing canned herring and sardines, kraut (in kegs), butter cartons and salad oil.

EXHIBIT B.

DISCRIMINATION IN SERVICE

The Bureau is informed by one wholesale grocer located in Louisville, Ky., that the packers ship canned goods from St. Louis through Louisville to a point in Kentucky not distant from Louisville in four or five days, while the Louisville jobber cannot secure delivery in less than from six to ten days, generally ten, although the distance covered by his shipment is 250 miles less than that covered by the packer. Again, the packer's car from Chicago reaches West Virginia points quicker than an independent jobber can make deliveries from Kenova, W. Va., a distance of only about 75 miles.

J. A. Sloan Co., of Columbia, Tenn., has the following experience to report: "There is a tracer behind every (packer) car. This service is given not only the little towns and way stations out from Columbia, Tenn., but also from all points from which we operate. The speed of the packer cars, by means of the tracer, is far ahead of the service rendered to the public generally."

One jobber reports as follows: "Peddler cars leaving Fort Worth on Saturday night reach here (Austin, Texas) Sunday night. On May 19 we made a LCL shipment of 8,000 pounds to Florence, Texas, and this shipment had not arrived on May 26th, a distance of about 66 miles, whereas the distance from Fort Worth to Austin is 195 miles."

In another case the story is as follows: "One of my men may go out to work the trade in the neighboring towns, and we have to go through the whole routine of shipping; haul the goods to the depot, check in a car one day, and then possibly it may require several days to make up sufficient freight to enable the railway company to load a car going in that direction; and our goods are delayed from five to ten days. The packer comes along and calls on the same man, sells him meat and the same goods that we sell, and the railway company will put a car up to his door and he will load meat and other goods in the car, and 24-hour delivery is considered a long time. Groceries put in the same car with meat can enjoy this quick delivery."

EXHIBIT C.

Oklahoma City, Okla., July 15, 1919. Mr. Lewis H. Haney, Director, Southern Wholesale Grocer's Ass'n, Jacksonville, Fla.

Dear Sir: In reply to yours of July 8th, regarding "Schedules of Merchandise Cars from Oklahoma City," we are in-

Feb. 8, 1919, Ft. Worth to Laredo, Texas, Armour & Co. car No. 8219, fifty boxes dried fruit.

Feb. 15, 1919, Ft. Worth to Sabine, Texas, Armour & Co. car No. 14769, containing coffee.

May 24, 1919, from Kansas City to points between Jonesboro and Hayti, Mo., Morris & Co. car No. 9884, containing twenty cases canned fruit and vegetables, four sacks dried beans.

May 24, 1919, Kansas City to Thayer, Jonesboro and other Missouri points, Armour & Co. car No. 8100, containing dried beans, dried fruit, rice, rolled oats, corn flakes, coffee, canned fruit and vegetables, prepared mustard.

Feb. 18, 1919, Wilson & Co. car No. 3065, containing paper bags and canned goods.

May 2, 1919, Wilson & Co. car No. 8170, containing stationery, canned fruit and color capsules.

Jan. 3, 1919, Wilson & Co. car No. 2182, containing canned vegetables.

May 1, 1919, vicinity of Oklahoma City, Okla., Morris & Co. car, containing dried beans, dried fruit, canned fruit and salt.

The Fort Smith Traffic Bureau reports that "Packers' peddler cars which have recently moved from Kansas City into this territory have contained in addition to the listing under the head of 'packing house products' and 'fresh meats,' the following articles: Peanut butter, cheese, canned vegetables and fruits, butter, soap, coffee, canned milk and raisins."

On April 26, 1919, the Louisville & Nashville Railroad hauled a Wilson & Co. private car from Chicago, Ill., to Jellico, Tenn. This car contained packing house products, canned peas, peanut butter and bottled olives. On the same day the Southern Railway hauled a Swift & Co. car from East St. Louis to Jellico, Tenn., which car contained, in addition to packing house products, beans and various canned goods. The bureau's informant states that "as a rule, all cars coming into Jellico from packers contain packing house products, beans, canned vegetables, cheese, canned milk, canned salmon, jelly, preserves, apple butter, extracts, etc."

On or about May 1, 1919, there was moved from Oklahoma City, Okla., Morris & Co. car No. 8115, peddler car No. 19, Elkins to Waurika. This car contained approximately 39 separate shipments with a total of 82 items, among which were: Beans, salt, canned fruit, dried fruit, canned vegetables and other grocery items, in addition to the regular packing house products.

The Case Against the Meat Packers

closing you copies of freight schedules covering L. C. L. shipments of freight out-bound from the different depots here, both in the package and set out cars and schedule cars unloaded by local train crews.

In most cases you will note the cars are scheduled to run "daily," but this is subject to car containing a reasonable amount of tonnage. In other words, if there is sufficient tonnage for one car to a given territory, but not sufficient to load two cars, the overflow, that is, the amount above first car, would be held until there was tonnage available to run. The M. K. & T. and F. S. & W. merchandise cars load one day and move forward the next. For example, the M. K. & T. merchandise car Block No. 1, which loads on Tuesdays, Thursdays, and Saturdays, goes forward in train No. 90 on Wednesdays, Fridays and Mondays. At best, the freight service maintained under such conditions is very poor. The matter of holding cars to obtain sufficient tonnage means that the shipper can never be positive that any shipment will go forward at a definite time.

The speed of these merchandise cars is very unsatisfactory also. Meat peddler cars from the packers are given preference over all other merchandise cars, both in the handling of the cars at the terminals and also in unloading along the line. The fact that the peddler cars from the packers contain groceries does not lessen the responsibility attached to handling of cars containing such highly perishable products as meat. If the time is short for the train crew to unload shipments of regular freight, these are carried through and returned on some other

local. This is not true of shipments of freight contained in the packers' peddler cars, for such merchandise will permit of no delay whatever.

The freight schedules for the merchandise cars available for the wholesale grocers are arranged and put into effect by the railroad company alone and any bearing the shipper would have on the arrangement would be only in the form of a suggestion or petition subject to the railroad's wishes. The packers are permitted to arrange their own schedules. These are fitted to their individual needs alone and are not hampered by having to take into consideration any towns that are not on their lists or to take into consideration the movement of any freight other than their own. These schedules the packers make up and send to the superintendent of transportation of the railroads, where they are passed upon and put into effect.

The cars furnished to the general public are very poor in comparison with the ones the packers have at their disposal, these cars being the very best available. Also there is contained in the packers' peddler cars practically but one class of freight, that is food products, while in the merchandise cars from the local depots you will find something of almost every class of freight that moves, including fertilizers, oils, returned cement sacks, heavy machinery, implements, etc., in the same car with groceries of different kinds. This, of course, means more claims, consequently dissatisfied customers and a higher cost of transportation.

Yours truly,

Carroll, Brough & Robinson.

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**END OF
TITLE**